

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 CIAE-00

DODE-00 INR-10 NSAE-00 PA-02 ICA-20 AID-05

COME-00 EB-08 FRB-01 TRSE-00 XMB-04 OPIC-06

LAB-04 SIL-01 OMB-01 STR-07 CEA-01 AS-01 /113 W

-----070940 190726Z /11

R 181230Z JUL 78

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 992

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

UNCLAS LIMA 6346

E.O. 11652: N/A

TAGS: ECIN, EFIN, BD, CD, EC, PE, VE

SUBJECT: ANDEAN RESERVE FUND FORMALLY ESTABLISHED

REF: LIMA 3480

1. THE ANDEAN RESERVE FUND WAS FORMALLY ESTABLISHED IN LIMA ON JULY 14. THE FUND ACTUALLY ENTERED INTO FORCE JUNE 8 AFTER PERU, IN SPITE OF FINANCIAL DIFFICULTIES, DEPOSITED DOLS15 MILLION, THE FIRST INSTALLMENT OF ITS CAPITAL SUBSCRIPTION. THE MAIN PURPOSES OF THE FUND ARE TO GIVE BALANCE OF PAYMENTS AID TO MEMBER STATES, PROMOTE THE HARMONIZATION OF MONETARY POLICY AND IMPROVE THE LIQUIDITY OF INTERNATIONAL RESERVES. IN ADDITION, IT IS HOPED THAT THE FUND WILL FACILITATE ACCESS OF MEMBER COUNTRIES TO INTERNATIONAL FINANCIAL MARKETS.

2. HEADQUARTERS OF THE FUND IS IN BOGOTA AND SUBSCRIBED CAPITAL IS DEPOSITED IN THE CENTRAL BANK OF COLOMBIA. ADMINISTRATIVE ORGANS ARE AN ASSEMBLY OF THE FINANCE MINISTERS OF MEMBER COUNTRIES AND A DIRECTORATE MADE UP OF CENTRAL BANK PRESIDENTS  
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AND THE EXECUTIVE PRESIDENT OF THE FUND. THE EXECUTIVE PRESIDENCY IS THE PERMANENT BODY OF THE FUND AND THE EXECUTIVE PRESIDENT IS ELECTED FOR A THREE YEAR TERM. THE FIRST EXECUTIVE PRESIDENT IS DR. JAVIER SILVA RUETE, FINANCE MINISTER OF PERU.

3. CAPITAL SUBSCRIPTIONS AND CREDIT AVAILABLE FOR EACH COUNTRY WERE REPORTED IN REFTEL. INTEREST RATES AND

FINANCIAL CHARGES WILL BE SET BY THE DIRECTORATE AFTER TAKING INTO ACCOUNT CONDITIONS IN INTERNATIONAL FINANCIAL MARKETS. IN ADDITION TO EXTENDING CREDIT TO CENTRAL BANKS, THE FUND CAN ALSO GUARANTEE LOANS UP TO THE AMOUNT OF CREDIT AVAILABLE TO THE MEMBER COUNTRY.

4. IN ORDER TO QUALIFY FOR A LOAN THE DIRECTORATE MUST JUDGE THAT THE COUNTRY HAS INSUFFICIENT RESERVES. IN ADDITION, A COUNTRY APPLYING FOR A LOAN MUST SUBMIT A LIST OF MEASURES WHICH HAVE BEEN TAKEN AND ARE GOING TO BE TAKEN TO RESTORE BALANCE OF PAYMENTS EQUILIBRIUM. THESE MEASURES MUST BE CONSISTENT WITH THE ACUERDO DE CARTAGENA AND MAY NOT INCLUDE USE OF SAFEGUARD CLAUSES FOUND IN THE ACUERDO. THE MEASURES ALSO CANNOT IMPEDE IMPORTS FROM OTHER MEMBER COUNTRIES. CREDITS ARE TO BE AUTHORIZED FOR ONE YEAR BUT CAN BE EXTENDED FOR ONE YEAR UP TO A TOTAL OF THREE YEARS.

5. THE FUND'S FORMATION WAS HAILED AS AN IMPORTANT STEP IN THE PROCESS OF ANDEAN INTEGRATION, BUT INITIAL OPERATIONS WILL BE CONSTRAINED BY THE SMALL SIZE OF CAPITAL SUBSCRIBED, DOLS2.50 MILLION FOR THE FIRST YEAR. AFTER THE FUND IS FULLY SUBSCRIBED (DOLS240 MILLION) PERU, COLOMBIA AND VENEZUELA WILL BE ABLE TO RECEIVE CREDIT TOTALLING DOLS150 MILLION AND BOLIVIA AND ECUADOR UP TO DOLS105 MILLION. IN THE FIRST YEAR OF OPERATION PERU WOULD ONLY QUALIFY FOR DOLS37.5 MILLION, A NET BENEFIT OF ONLY DOLS22.5 MILLION CONSIDERING THE DOLS15

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MILLION INITIAL SUBSCRIPTION.

6. TEXT OF AGREEMENT ESTABLISHING ANDEAN RESERVE FUND BEING POUCHED TO ARA/AND/P - KEMP.  
SHLAUDEMANN

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC INTEGRATION, FINANCIAL PROGRAMS  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Comment:**  
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**Enclosure:** n/a  
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**Subject:** ANDEAN RESERVE FUND FORMALLY ESTABLISHED  
**TAGS:** ECIN, EFIN, BD, CD, EC, PE, VE, ANDEAN RESERVE FUND  
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**Type:** TE  
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